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BRITAIN'S PRODUCTION CRISIS

by Felix Morley

In a preceding analysis (HUMAN EVENTS of April 30) consideration was given to the share-the-wealth program of the British Labour Government. There remains for examination the effect of this program on Britain's industrial output. The parallelism between declining production and increasing governmental interference with the free market is too pronounced to be dismissed as mere coincidence.

The policy of the present British Government is to continue and expand the system of wartime Socialism. Few, if any, new procedures are being introduced. Formal nationalization of basic industries is largely a matter of making permanent the controls and regulations which were adopted as emergency measures from 1939 to 1945.

The Labour Government has a well-defined policy for the extension of Socialism by Parliamentary means. It proposes to keep income and inheritance taxes confiscatory in the higher brackets, while easing them for wage earners to the extent that the overall financial picture permits. It proposes to continue the cost-of-living subsidies on essential foods and clothing which have been steadily increased from under $200,000,000 for the fiscal year ending March 31, 1939, to an estimated $1,700,000,000 for the fiscal year beginning April 1, 1947.

The policy of soaking the rich, while subsidizing the poor, is supported by a complicated but effective system of rationing, controls and priorities, not to mention a "cradle-to-grave" program of social security. The net result of shortages and regulations is that if a man of means is able to keep some portion of his income out of the tax wringer there is almost no way for him to spend it. He cannot, for instance, legally take more than £75 ($300) out of the country, even if he proposes to live abroad for a year.

The crowning objective of the policy is public ownership of the primary means of production. This outcome is steadily being advanced by taxation and other pressures which not only make capital formation more difficult, but also render the conduct of private enterprise increasingly disagreeable, complicated and unrewarding.

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One would infer, without specific evidence on the subject, that this policy would play hob with production, at least during the transition from private to public ownership. That is the actual result, but to obtain a balanced view of the British situation one must also realize that the Labour Government's policy has, up to the present time, improved the conditions of living for unskilled workers.

The development the Socialists did not forsee is the decline of individual production which has paralleled the increase of consumption on the part of the wage earners. With practically guaranteed employment, all sorts of State insurance, subsidized food and clothing and with little except entertainment on which to spend his spare cash, many a worker is simply letting down on the job.

Since the profit incentive is withering, the average employer is inclined to accept employee inefficiency. Indeed many an employer tends increasingly to look forward to the day when the Government will buy out his business, letting him escape to modest retirement from the bastinado of official directives. Personal indifference to the national need for production is by no means confined to the wage earners.

Observers have mentioned the somewhat apathetic attitude which is pronounced, though of course with many exceptions, in post-war England. A general explanation is war-weariness and certainly that was to be expected after the tremendous and sustained British effort from 1939 to 1945. But two years after the complete collapse of Germany one would expect to find the victors getting back into their stride, as they did more rapidly after World War I. This time recuperation is much more slow and halting, to an extent which the severe winter and the devastating floods of early Spring do not fully explain.

It is important to apply critical judgment to the psychological effect of socialistic policy. For the English experience certainly indicates that men cease to exert themselves in about the same proportion that the State assures them of support. Since the end of the war the national income of Great Britain has fallen off by an amount approximately equal to the subsidies paid by the government to consumers in that period. There may be a relationship here.

The post-war decline in British production first became apparent to everybody in the case of coal, which in the absence of alternative sources of fuel and power has always been basic to the nation's industrial growth and political power. To estimate the significance of the diminished coal output one must see the picture over a period of years.

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Therefore I have assembled the figures for (a) tonnage raised; (b) average annual employment; and (c) average man-output during certain instructive years. These are 1907, before nationalization of the mines became an issue; 1913 and 1919, as years immediately preceding and following World War I; 1935, as a typical between-wars year; 1938 and 1946 as years immediately preceding and following the recent war.

Year	Production(in million tons)	Average Employed	Man-Output(tons)
1907	267.8	925,000	290
1913	287.4	1,111,000	259
1919	229.2	1,026,000	224
1935	221.6	759,000	292
1938	226.4	782,000	290
1946	188.9	697,000	271

The table brings out several interesting points. Most obvious is the evidence that many more Englishmen must go into mining if production is to be maintained. In recent years miners by hundreds of thousands have turned to other occupations. An intensive recruiting campaign, with exemption from military service and other special inducements, has only increased employment in this industry by about 15,000 in the past four months. It may be noted in this connection that, to quote a recent government report, "The public service has expanded slightly since the end of the war, and now employs 2,130,000 men and women, compared with 1,465,000 in June, 1939." As between the pleasure of digging coal and that of drafting questionnaires, the choice is easy.

A second important revelation from these statistics is that mechanized production, now being pushed as much as is feasible under English mining conditions, is not compensating for the shorter working week. Man-output in the first months of this year was somewhat lower than it was thirty years ago. This causes great anxiety at the Ministry of Fuel, because on May 1 the five-day week, threatening further decline in output, became mandatory for the nationalized coal industry.

A third ominous disclosure, indicated by the table above, is the fact that total British coal production last year was almost identical with domestic coal consumption in 1913, when there were close to 100,000,000 tons available for export. Now there is not only no export surplus but scarcely enough coal to run industry at 1913 levels.

In the words of the official Economic Survey for 1947 (Cmd. 7046):

> "The present crisis underlines the basic importance of coal, and of power derived from coal. Exports, industrial re-equipment, housing, the supply of consumer goods, transport and distribution all depend upon coal. The 1947 industrial problem is fundamentally a problem of coal."

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Before the end of the war, after the most careful and comprehensive statistical analysis, it was concluded that British exports must be pushed up to 175 per cent of their 1938 volume. A preliminary "target" of 140 per cent before the end of 1947 was set last year. This huge increase is necessary to replace the depleted foreign exchange resources and to provide funds for absolutely essential imports.

Two isolated facts indicate the magnitude of this task: (1) The loss of coal exports, through diminished production, is approximately equal in value to all of Britain's current wheat imports, which must now be paid for by other exports. (2) The whole total of British exports to the United States, at present, barely exceeds in value the British consumption of American tobacco.

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By a heroic spurt, exports in the last quarter of 1946 were pushed to 111.2 per cent of 1938 volume. Then the fuel shortage forced temporary shut down of most manufacturing industry. The final export statistics for the first quarter of 1947 will fall badly below the achievement of the last quarter of 1946. Yet the official Economic Survey emphasizes that: "The export target of 140 per cent of 1938 volume by the end of the year is of prime importance."

If the export goal is attained it will mean further diversion of British manufactures of every kind from the domestic to the export market, involving even greater "austerity" for the British people. If the goal is not attained, imports will have to be proportionately cut down. The action of the Labour Government in raising the tobacco tax, in the current budget, so that a packet of 20 cigarettes now costs 70 cents, is evidence of the restrictions to be expected.

The Communists immediately sought to exploit the now prohibitive tobacco tax, thereby pointing up the developing political issue. How soon will "austerity," which the Government must increasingly sponsor, outweigh in the voters' minds the benefits brought to the poor?

It can be reasonably asserted, that practically everyone earning over $2,000 a year in Great Britain is today worse off than were those in this financial position before the war. The great majority of those earning less than $2,000 a year, on the other hand, are in certain respects now leading more comfortable lives as a result of British Socialism.

But the tendency is for the living of everybody, regardless of income, to become steadily more grim. By next winter the party in power will have to face the bitter disillusion which this trend implies.

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Not Merely Gossip A Supplement to Human Events VOL. IV, NO. 19

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By Frank C. Hanighen May 7, 1947

The generally accepted interpretation of Russia's present foreign policy is that the Kremlin rulers are waiting for what they regard as the inevitable American depression; and that then, when we are absorbed in domestic troubles, they can take over Europe by default. The thesis is not unreasonable. However, some circles believe that, actually, Moscow is counting not on an early American depression to forward its expansion, but on an earlier and more likely development -- a British economic crisis within the next six months.

Now this version of the inscrutable Muscovite mind may be no more accurate than any other. But it is a fact that economic experts anticipate a serious economic crisis in Britain before the first of the year. Many are gloomily thinking of it, although few will say so publicly. The cause of such a development, it is believed, would be the clause in the Anglo-American Loan Agreement of 1946, which says that on Juy 15, 1947, Britain must make all current transactions in the sterling area freely convertible into dollars.

What this would mean can be illustrated by the following example. A Calcutta jute merchant at present must take pounds sterling in payment for products sold to Britain. But after July 15, he can demand dollars from his United Kingdom customers. Others in the sterling area will presumably do likewise, for the simple reason that U. S. currency will buy more than sterling. If these demands should prove to be of considerable magnitude, the United Kingdom's reserve of dollars would sharply diminish. Without dollars, Britain will be unable to pay for enough food to nourish its population and sufficient raw materials to run its industries. Britain would then confront a very serious situation.

At this point, according to the presumed Soviet calculations, Washington will have to be informed that the British Government can no longer support the cost of the British occupation zone in Germany and that it will be up to the United States to assume the burden. This move would precipitate a new wrangle in Congress about the necessary appropriations; and Congress might decide that the whole German occupation investment is too much to carry. So goes the Soviet reckoning. The corollary would be that Germany, and with it all Europe, would go to Russia by default.

This course of events could be checked by the U. S. Government deferring the "convertibility of sterling" to some date later than July 15. But there is at present no sign either that Washington will take the lead or that the British Government is petitioning Washington for such a postponement. It is suspected that some hide-and-seek bargaining game is being played both by the Foreign Office and the State Department. In any case, until one or the other moves, the above analysis of Soviet policy deserves serious consideration.

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Speaker Joseph Martin is reportedly in favor of the House yielding to the Senate's demand for commencing tax cuts on the 1st of July, instead of making them retroactive to January 1, 1947 (as the House demands). Since the Speaker exerts a good deal of influence among his colleagues in the Lower Chamber, there is a strong possibility that he may sway the House conferees. And as "Joe" usually has his hand on the pulse of public opinion, he presumably has come to the conclusion that the compromise is politically feasible.

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Many of the arguments against the State Department's foreign broadcasts miss the point by a wide margin. The severely criticized programs may well have possessed value from a propaganda standpoint. After all, radio material beamed to Soviet Russia can hardly be written to please the average American Rotarian. It seems ob-

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vious that propaganda, to be effective, must contain some of the general assumptions of the audience which it seeks to influence. One such assumption in Russia is that Mr. Henry Wallace is a mighty fine man. The contrary assumption holds in America, where a radio review of a book about Wallace naturally seems un-American at this time. The real point is that under our American system today, Government broadcasts for which the average citizen pays in taxes cannot escape violent criticism and controversy. The moral should be clear: Government broadcasting is impracticable.

Those who know both the FCC and the private radio industry believe that Government broadcasting should be dropped and that private industry should be encouraged to set up its own foreign broadcasts. There are large corporations which have their eyes on foreign markets. Even if, in the present world-wide economic dislocation, foreign advertising seems likely to be unprofitable in the short run, nevertheless the broadcasting of brand-names and the creation of foreign goodwill might well pay out in the long run; and those who get in the field first will enjoy an advantage over competitors. There seems to be no good reason why private broadcasters cannot stage foreign programs as well as the Government. It is even possible that descriptions of Coca Cola or Ford cars may make the reception more acceptable. And, meanwhile, taxpayers would save money.

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Because Stalin showed a polite interest in the American economy when he talked with Governor Stassen, it does not follow that there has been any change in Kremlin policy. The interview with Stassen simply falls in the same category as those with Alexander Werth, Eddy Gilmore, Elliott Roosevelt and others from the Western world. It is reassuring that the general reaction is skeptical -- "politeness is all very well, but actions speak louder than words."

"Reporter" Stassen accompished a good journalistic job, but he might well have revealed how the Russian Government, while Stalin was professing sentiments of "co-operation," was acting quite otherwise. It is not a widely known fact that the Soviet Government broke its solemn pledge to allow complete freedom from censorship to all foreign reporting on the Big Four Conference.

Towards the end of the Conference, the Russian officials delayed in some cases, completely stopped in others, the stories or parts thereof, of some American correspondents. These news stories dealt exclusively with the Conference. The censored material, it is learned, was of a kind that did not show Russian proposals at the Conference table in the most favorable light. Finally, correspondents asked Secretary Marshall to take up the matter with the Russian Foreign Office. But, by that time, the Conference was breaking up and the correspondents departed from the country without obtaining any satisfaction.

* * * * *

A bright future for efficiency and mechanization of industry seems in the cards, judging by figures presented by the Machinery and Allied Products Institute. The latter's May 1 bulletin points out that while wage rates in manufacturing average 75 per cent higher today than in 1939, the cost of equipment has risen only 28 per cent. This fact, says the bulletin, "means a profound shift in the relative economy of labor and machinery in industry generally, a shift, of course, to the advantage of mechanization. If the present pattern, or anything like it, holds in the future, it should open up a new level of demand for equipment, accelerating the process of modernization and increasing the efficiency of production to the benefit, not only of the equipment industries, but of the nation as a whole."

It might be added that this great potential market has arisen because, during the war, industry in general had to postpone tooling-up and improvement of equip-

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ment. Today, it has hardly started to catch up for lost time. The recent statement by Henry Ford II -- that his company is operating at only 65 per cent of capacity despite an overflowing order book -- is an indication that expansion of our industrial equipment is long overdue.

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The Department of Justice wartime drive against isolationists seems to be drawing to an abortive close. Observers take a pessimistic view of the Department's appeal in the matter of the indictments of the 26 alleged seditionists (see NMG, November 27, 1946), which (indictments) Judge Laws rather severely dismissed. And, recently, the Attorney General's office received a discouraging blow in the acquittal of magazine editor Douglas M. Stewart.

Stewart was an editor of Scribner's-Commentator, a pre-Pearl Harbor isolationist monthly. In 1943 and 1944 he testified in the mass trial of the 26 alleged seditionists and swore that he had received no money from any foreign power. The Department of Justice instituted perjury proceedings against him and at his recent trial produced Heribert von Strempel, attache at the German Embassy, who testified that he had given $38,000 in cash to Mr. Stewart. But von Strempel, on cross-examination, related how he had undergone a sort of "third degree" at the hands of American authorities in Germany before coming to the United States to testify. The jury rendered a "not guilty" verdict.

Mr. George Eggleston, co-editor with Stewart, was not accused nor prosecuted, but he was subjected to constant and unusual questioning during the war, and friends claim that the White House sought to oust him from his commission in the Navy. His connection with Stewart led to a press campaign, by journals of the Left, against the Readers Digest where he has been employed since the end of the war. The absurd charge was made that the Digest was "Fascist" because Eggleston was on the staff. But, with the end of the Stewart case, it seems likely that the air has been cleared of such accusations, the product of the unfortunate wartime hysteria which prompted the Department of Justice in its unsuccessful punitive course.

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The persistence of the idea of a United States of Europe in the face of opposition from Moscow and coolness from Washington suggests that it has no little vitality. It has won the approval of Attlee, Churchill, Blum, Herriot and Sumner Welles. The claim by its most vocal proponent -- Count Coudenhove-Kalergi -- that there will be a United States of Europe within two years may well be too optimistic. But, again, as in the time of Briand, the vision comes as a rainbow to discouraged seekers for a solution of the Old World's ills.

Although written almost twenty years ago, hopeful passages in Ortega y Gasset's Revolt of the Masses have some application today: "Is it as certain as people say that Europe is in decadence; that it is resigning its command; abdicating? May not this apparent decadence be a beneficial crisis which will enable Europe to be really, literally Europe? The evident decadence of the nations of Europe, was not this a priori necessary if there was to be one day possible a United States of Europe, the plurality of Europe substituted by its formal unity?"

And the Spanish philosopher, discussing the possibility that Communism might sweep all of Europe by the "fervor of conduct it inspires," goes on: "To my mind the building-up of Europe into a great national State is the one enterprise that could counter-balance a victory of the 'five years plan'. . . . Communism is an extravagant moral code, but nothing less than a moral code. Does it not seem more worthy and more fruitful to oppose to that Slavonic code, a new European code, the inspiration towards a new program of life?"

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Notes and Quotes

"There is nothing whatever to be said against the retail price cutting movement which started in Newburyport," says Heptisax in the New York Herald Tribune (May 5), "just as there is nothing to be said against bathing a smallpox patient's face with olive oil. Wherever retail merchants find it possible (and, incidentally, profitable) to reduce prices to the consuming public, they are assuaging a local irritation which results from a deep-seated malady, which might have been prevented if either the patient (meaning the public), or the doctor (meaning the government), or both, had had the foresight to take the right preventive measures. The nurse who applies olive oil is also assuaging a local condition which is one of the symptoms of a serious disease which could have been prevented if the patient had demanded vaccination or if his doctor had urged it upon him."

Heptisax traces the cause of the disease to the "high cost of government" which must be covered by high taxation: ". . . all taxes are added to the cost of everything we buy and use; so heavy taxation is inflationary. That ought to be simple and it ought to be clear to every American housewife. Unfortunately it isn't. The average American citizen, educated or uneducated, rich or poor, has been schooled in the habit of closing his mind obstinately to the fact that the cost of the Federal government is added to the cost of living."

As a result of this civic blindness, the columnist points out, President Truman can enjoy the political fruits: "The President can exult in the credit he is piling up for both the fun and the assuagement that the public is getting out of all this price-cutting whoopee, at the last station on the price-building line, without serious fear that it will bring back upon him a demand from business and industry for tax relief in which the general public will join. It is a good political maneuver and a neat diversion of attention from the President's duty to the people to ease the tax pressure on prices by co-operating with the Congress in cutting government costs."

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From Wallaceland. At a recent party in London, Henry Wallace asked some advice of Victor Gollancz, distinguished publisher and leader of the "Save Europe Now" movement. The former Vice-President wanted to know what he should say to the Danes, when he reached Denmark, in order to allay what he claimed were their fears of submergence under the "hordes of arrogant Prussians" now in southern Denmark.

Gollancz, who has spent much time in the past year in that and neighboring areas of Europe, expressed surprise at hearing that any such critical situation existed or that the Danes were so affected. "But," he remarked, "if you want to give a message to the Danish people you might place the blame, for whatever trouble they may have in that part of the country, on your late leader, Mr. Roosevelt, whose policy caused these Germans to be driven out of their homes; and in the second place, you might thank the Danes for feeding them and thereby relieving us of that much of our burden."

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Make Up Your Mind Department. The Washington Post's leading editorial on May 3, referring to the House's reduction of the European relief appropriation last week, says: "We fail to see evidence in this House vote of any reversion to isolationism." On the opposite page, however, Mr. Barnet Nover of the Post editorial staff remarks: ". . . signs of a resurgence of isolationism are not lacking in the United States. . . . There was the action of the House in cutting down the $350,000,000 European relief program to 200 million dollars."

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